

CABLE SECRETARIAT DISSEMINATION
PERSON/UNIT NOTIFIED

ED MESSAGE

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33

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FILE RID RET. TO

BRANCH

DESTROY SIG.

ACTION

RID CO

INFO

FILE

VR.

ACTION 1005 1005 2
06021 c/ces2.0/Secur

~~SECRET~~ 220145Z JUNE 68

DIRECTOR INFO [] VIENTIANE, []

22 JUN 68 IN []

REF DIRECTOR []

Ref C

1. [] APPRECIATES THE PROBLEMS INVOLVED IN COVERT PAY HANDLING AND THIS DELAYED REPLY IS ATTRIBUTABLE TO TIME CONSUMED IN EFFORTS TO FIND THE MOST SATISFACTORY SOLUTION. AFTER DETAILED CONSIDERATION OF ESTABLISHING SPECIAL MISSION PAY THRU PAYROLL SYSTEM, CHECKING ACCOUNTS IN THE NAME OF BASE MANAGERS, TRAVELER CHECKS, US POSTAL MONEY, AMERICAN EXPRESS MONEY ORDERS AND/OR CERTIFIED CHECKS, ETC WE CAME TO SAME CONCLUSION AS PARA 2 REF THAT PROBABLY A US BANK ACCOUNT OPERATED BY [] IS WAY OUT ALTHOUGH WE SEE SOME PROBLEMS. *have for ...*

2. POSSIBLE PROBLEM COULD BE W-2 FORMS UNDER EXISTING CASH PAYMENTS SYSTEM [] DOES NOT ISSUE A W-2 FOR COVERT SPECIAL PAY EARNINGS. WHAT THE INDIVIDUAL RECIPIENTS OF THE CASH REPORT TO IRS (OR EQUIVALENT FOR TCN) IS NOT KNOWN. [] SUSPECTS THAT THE MAJORITY AND PERHAPS ALL, REPORT NOTHING. RECORDS CAN BE HANDLED AND KEPT COVERTLY AT [] BUT OVERT RECORDS WILL BE ESTABLISHED AT [] BANK AND THE RECIPIENTS BANK IN

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CONUS. SOME INDIVIDUAL FLIGHT CREW MEMBERS MAY THEN FEEL OBLIGATED TO REPORT AND THERE WILL BE NO MATCHING W-2 FORM UNLESS IT IS DESIRED THAT [] ISSUE W-2'S FOR THESE EARNINGS WITH THE START OF THE NEW SYSTEM. IF W-2'S ARE NOT ISSUED THE POSSIBLE REPORTING OF THIS INCOME BY SOME INDIVIDUAL MAY RAISE PROBLEMS WITH IRS FOR BOTH [] AND OTHER EMPLOYEES WHICH WOULD REQUIRE BACKSTOPPING. ALSO [] ASSUMES VIENTIANE AND HQS HAVE TAKEN INTO ACCOUNT THAT, IF OUR SUSPICIONS REGARDING REPORTING ARE CORRECT, THOSE INDIVIDUALS, WHO MIGHT, UNDER THE PROPOSED NEW ARRANGEMENTS, FEEL OBLIGATED TO REPORT OVERTLY RECORDED PAYMENTS TO IRS, MAY, IF THEY ARE NOT NOW REPORTING UNRECORDED CASH PAYMENTS, CONSIDER THIS NEW METHOD AS INTRODUCING A CUT OF THEIR TAKE HOME PAY. YOU UNDOUBABLY ARE AWARE OF THE ATTITUDE PROBLEMS ALREADY EXISTANT AMONG [] AIRCREW MEMBERS IN LAOS RESULTANT FROM DEC 1967 EXTRA HAZARDOUS PAY ADJUSTMENTS AND THE CONTINUING DISPARITY BETWEEN [] AND [] PILOT FLIGHT TIME REGULATIONS WHICH ALLOWS [] PILOTS TO FLY MORE AND EARN MORE THUS CREATING MAJOR [] AIRCREW MORALE PROBLEMS. ADVISE.

3. [] SUGGESTS [] WASHINGTON OPEN A ANY TWO SIGNATURE ACCOUNT IN NAME OF [], TAIPEI SIGNERS WOULD BE:

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MR. HUGH L. GRUNDY

MR. PAUL C. VELTE, JR.

MR. LINDSEY B. HERD, JR.

E. E. HECH

MR. MARK L. PETERSON

[] PREMISES WE SHOULD NOT RECORD TRANSACTIONS THRU THIS ACCOUNT ON [] BOOKS SINCE IT IS ONLY ACTING AS AN EXPEDIENT, HOWEVER DEFER TO [] WASHINGTON ON THIS POINT.

4. CONCEPT OF OPERATION IS:

A. THIS CHECKING ACCOUNT WOULD BE USED FOR ALL SPECIAL MISSION PAY I.E. EXFIL/INFIL, LOW LEVEL, COMMANDO CREDIT, [] ETC.

B. ALL AIRCREW PERSONNEL WITH US BANK ACCOUNT, EARNING SPECIAL MISSION PAY WOULD BE PAID THRU THIS FACILITY. THIS INCLUDES ALL U.S. AND ALL FILIPINO PERSONNEL WITH POSSIBLE EXCEPTION OF INITIAL 2 OR 3 MONTHS FOR NEW HIRES. THE REQUIREMENT FOR [] TO PAY THAI PERSONNEL VIA [] PROBABLY WILL CONTINUE, ALTHOUGH WE COULD EXPLORE POSSIBILITY THAT THAI PERSONS CONCERNED WOULD BE WILLING TO ESTABLISHE US BANK ACCOUNTS LIKE THE FILIPINO DO.

C. THE PRESENT SYSTEM OF [] COMPUTING COVERT PAY-

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MENTS BASED ON [] FURNISH INFO WOULD REMAIN SAME. []
 [] WOULD SUBMIT NORMAL PAY MESSAGE INDICATING NAMES, AMOUNTS
 PROJECT AND AUTHORITY ETC TO EITHER [] AND/OR DIRECTOR AS
 APPROPRIATE WHO WOULD CERTIFY/APPROVE OR ADJUSTMENTS WOULD BE
 AFFECTED. THE [] SUBMITTED PAY MESSAGE WOULD CONTAIN
 A PART TWO IF ANY OF THE INVOLVED PERSONNEL DID NOT HAVE US
 BANK ACCOUNTS. THE STATION CONCERNED WOULD VIA []
 MAKE CASH PAYMENTS TO THESE PERSONNEL AFTER PAYMENT MESSAGE IS
 APPROVED.

D. AFTER RECEIPT OF APPROVAL BY PROPER AUTHORITY, HQS WOULD
 DEPOSIT TO THIS ACCOUNT THE EXACT AMOUNT TO MEET THE CHECK WRITING
 REQUIREMENT AND ADVISE [] WHEN THIS HAS BEEN ACCOMP-
 LISHED AND CONFIRMED. [] WOULD THEN ISSUE INDIVIDUAL
 CHECKS AND SEND TO PROPER ACCOUNT VIA APO.

E. BANK STATEMENTS WITH CANCELLED CHECKS WOULD BE SENT
 TO [] WASHINGTON WHO WOULD RECONCILE AND CLEAR HQS ADVANCE.

5. PLS ADVISE IF ABOVE ACCEPTABLE AND/OR ANY DESIRED CHANGES.
 IF ACCEPTABLE, PLEASE ADVISE ACCOUNT INFO AND FORWARD SUPPLY OF
 CHECKS TO [] AND SYSTEM WILL BE IMPLEMENTED. MEANTIME
 WILL CONTINUE PRESENT SYSTEM PAYMENTS TO PRECLUDE BACK LOG.

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